

KLCCP businesses pass pre-pandemic levels

Group's revenue up 11% to RM1.62bil in FY23

PROPERTY

PETALING JAYA: KLCCP Stapled Group's earnings in its financial year 2023 (FY23) met market expectations and surprised with higher-than-expected distributions.

With its businesses now surpassing pre-pandemic levels, analysts foresee a promising outlook for the coming quarters.

The group, which comprises KLCC Property Holdings Bhd and KLCC Real Estate Investment Trust, posted core net income of RM726.4mil in FY23.

Revenue rose 11% to RM1.62bil, largely due to its hotel operations with higher occupancy of 66% from international guests, who were mainly from China, Singapore, and Britain.

It also recorded higher management services as car park income increased from the higher footfall within its portfolio.

The group announced a distribution per unit (DPU) of 14.4 sen for the fourth quarter of 2023 (4Q23), bringing total DPU to 40.5 sen for FY23. This translates to a gross yield of 5.5%, said MIDF Research.

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"Similarly, the hotel division improved on the back of higher tourist arrivals, which

"Notably, the retail division was buoyed by positive rental reversion and improved tenant sales."

MIDF Research

supported average room rate (ARR) growth and occupancy rate of Mandarin Oriental.

"Meanwhile, performance of the office division was relatively stable on the back of long-term leases for its office assets," MIDF Research said in a report.

However, the research firm said, sequentially, 4Q23 core net income came in marginally lower at RM179.7mil despite a higher top line because of higher operating expenses.

Although it sees stable earnings prospects for KLCCP, MIDF Research said the stock's upside is limited. "Hence we maintain our 'neutral' call on KLCCP with an unchanged target price of RM7.20."

On the other hand, Kenanga Research

maintained an "outperform" call while raising the stock's target price to RM8 from RM7.73, as it rolled over the valuation base year to FY25 with a DPU of 44 sen.

"This is against an unchanged target yield of 5.5% (derived from a 1.5% yield spread above our 10-year Malaysian Government Securities assumption of 4%).

"Our distribution is based on a 95% payout, in line with historical averages," it added.

Kenanga Research said the group's forward earnings will continue to be supported by the office division's high occupancy rate given its long-term, locked-in leases with high-quality tenants.

As for its retail division, there were 10 new tenants that increased the mall's occupancy rate during 4Q23, while the hotel operation's occupancy rate is also picking up.

Concurrently, it noted that the group has expressed interest in exploring global assets to add to its portfolio although it is prioritising the enhancement of local operations.

The group is also considering venturing into the healthcare sector, said Kenanga Research.

"We like KLCCP for its prime asset portfolio anchored by its office towers in the KLCC area and Suria KLCC mall. Its target markets could be less affected by inflationary headwinds," the research firm added.